

EXHIBIT C

WISEBITS AD NET LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

TRUE COPY

ΥΠΟΓΡΑΦΗ



Γραμματέας

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ΥΠΟΓΡΑΦΗ



Διευθυντής

ΚΩΝΣΤΑΝΤΙΝΟΣ ΧΡΙΣΤΟΦΟΡΟΥ

WISEBITS AD NET LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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WISEBITS AD NET LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Constantinos Christoforou

Company Secretary: Constantinos Christoforou

Independent Auditors: Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
3030 Limassol
Cyprus

Registered Office: Arch. Makariou III, 132
Sagro Building
3021, Limassol
Cyprus

Bankers: Wirecard Bank AG, Germany
Ibanq, London, UK
Ecobank Cabo Verde S.A., Cape Verde
Cardpay, Cyprus

Registration Number: HE 348907

WISEBITS AD NET LIMITED

MANAGEMENT REPORT

The Board of Directors of Wisebits Ad Net Limited (the "Company") presents to the members its management report and audited financial statements of the Company for the year ended 31 December 2020.

Incorporation

Wisebits Ad Net Limited was incorporated in Cyprus on 12 November 2015 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activity and nature of operations of the Company

The principal activity of the Company is the ownership and exploitation of intellectual property rights.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The Company is in the final process of signing an agreement to merge with related party Wisebits IP Ltd.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company and the steps taken to manage those risks are disclosed in note 5 of the financial statements.

Existence of branches

The Company does not maintain any branches.

Results

The Company's results for the year are set out on page 6.

Dividends

The Board of Directors declared dividends to the shareholders of US\$3,503,585 (2019: US\$3,146,415).

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The sole member of the Company's Board of Directors as at 31 December 2020 and at the date of this report is presented on page 1. The Sole Director was a member of the Board of Directors throughout the year ended 31 December 2020.

In accordance with the Company's Articles of Association the Sole Director presently member of the Board continues in office.

There were no significant changes in the remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 17 to the financial statements.

Independent Auditors

The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Constantinos Christoforou
Director

Limassol, 22 July 2022

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Independent Auditor's Report

To the Members of Wisebits Ad Net Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Wisebits Ad Net Limited (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

The Company's financial statements do not comply with the disclosure requirements of IAS 24 ("Related party Disclosures") which requires that the name of the entity's ultimate controlling party and that relationships involving control should be disclosed, even when there have been no transactions between the parties, to enable users of financial statements to form a view about the effects of related party relationships on the entity.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report (continued)

To the Members of Wisebits Ad Net Limited (continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the additional information to the statement of profit or loss in pages 20 to 24, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Independent Auditor's Report (continued)**To the Members of Wisebits Ad Net Limited (continued)****Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Kyriakos Vlachos
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
3030 Limassol
Cyprus

Limassol, 22 July 2022

WISEBITS AD NET LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020


	Note	2020 US\$	2019 US\$
Revenue			
Direct costs	6	53,352,786	37,230,505
		<u>(40,982,296)</u>	<u>(28,020,222)</u>
Gross profit		12,370,490	9,210,283
Amortisation expense		(7,000)	(7,000)
Selling expenses		(114,895)	(101,669)
Administration expenses		<u>(7,102,211)</u>	<u>(5,281,487)</u>
Operating profit	7	5,146,384	3,820,127
Finance costs	8	(20,696)	(22,499)
Net foreign exchange gain		<u>84,118</u>	<u>13,202</u>
Profit before income tax		5,209,806	3,810,830
Income tax	9	<u>(653,867)</u>	<u>(532,776)</u>
Profit for the year		4,555,939	3,278,054
Other comprehensive income		-	-
Total comprehensive income for the year		<u>4,555,939</u>	<u>3,278,054</u>

The notes on pages 10 to 19 form an integral part of these financial statements.

WISEBITS AD NET LIMITED**STATEMENT OF FINANCIAL POSITION**
AT 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
ASSETS			
Non-current assets			
Intangible assets	10	-	7,000
		<u>-</u>	<u>7,000</u>
Current assets			
Trade and other receivables	11	58,113,869	29,745,713
Cash and bank balances	12	783,659	2,049,190
		<u>58,897,528</u>	<u>31,794,903</u>
TOTAL ASSETS		<u>58,897,528</u>	<u>31,801,903</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1,073	1,073
Retained earnings		1,206,040	153,686
Total equity		<u>1,207,113</u>	<u>154,759</u>
Current liabilities			
Trade and other payables	14	57,622,155	31,280,486
Current tax liabilities		68,260	366,658
		<u>57,690,415</u>	<u>31,647,144</u>
Total liabilities		<u>57,690,415</u>	<u>31,647,144</u>
TOTAL EQUITY AND LIABILITIES		<u>58,897,528</u>	<u>31,801,903</u>

On 22 July 2022 the Board of Directors of Wisebits Ad Net Limited authorised these financial statements for issue.


Constantinos Christoforou
Director

The notes on pages 10 to 19 form an integral part of these financial statements.

WISEBITS AD NET LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2019	1.073	22.047	23.120
Profit for the year	-	3.278.054	3.278.054
Dividends	-	(3.146.415)	(3.146.415)
Balance at 1 January 2020	1.073	153.686	154.759
Profit for the year	-	4.555.939	4.555.939
Dividends	-	(3.503.585)	(3.503.585)
Balance at 31 December 2020	1.073	1.206.040	1.207.113

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, from 2019 (deemed dividend distribution of year 2017 profits), the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65% (31.12.2019: 1,70%), when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on pages 10 to 19 form an integral part of these financial statements.

WISEBITS AD NET LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 US\$	2019 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		5,209,806	3,810,830
Adjustments for:			
Amortisation of intangible assets	10	<u>7,000</u>	<u>7,000</u>
		5,216,806	3,817,830
Changes in working capital:			
Increase in trade and other receivables		(28,368,156)	(15,019,184)
Increase in trade and other payables		<u>26,341,669</u>	<u>13,706,530</u>
Cash generated from operations		3,190,319	2,505,176
Income tax paid		<u>(952,265)</u>	<u>(281,509)</u>
Net cash generated from operating activities		<u>2,238,054</u>	<u>2,223,667</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		<u>(3,503,585)</u>	<u>(3,146,415)</u>
Net cash used in financing activities		<u>(3,503,585)</u>	<u>(3,146,415)</u>
Net decrease in cash and cash equivalents		(1,265,531)	(922,748)
Cash and cash equivalents at beginning of the year		<u>2,049,190</u>	<u>2,971,938</u>
Cash and cash equivalents at end of the year	12	<u>783,659</u>	<u>2,049,190</u>

The notes on pages 10 to 19 form an integral part of these financial statements.

WISEBITS AD NET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Incorporation and principal activities

Country of incorporation

Wisebits Ad Net Limited (the "Company") was incorporated in Cyprus on 12 November 2015 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Arch. Makariou III, 132, Sagro Building, 3021, Limassol, Cyprus.

Principal activity

The principal activity of the Company is the ownership and exploitation of intellectual property rights.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable provided in the normal course of business, net of discounts and sales related taxes.

Revenue earned by the Company is recognised on the following bases:

- **Royalty income**

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

- **Advertising income**

Revenue comprises advertising income received in respect of advertising web space sold to customers. Revenue from the sale of advertising space is recognized from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to people and are recognized when all the following conditions are satisfied:

- i) persuasive evidence of an arrangement exists;
- ii) delivery of the obligations to the customer has occurred;
- iii) the price is fixed or determinable; and
- iv) collectability of the related receivable is reasonably assured.

WISEBITS AD NET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Significant accounting policies (continued)

Finance costs

Interest expense and other finance costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Income tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's directors.

Trademarks and internet domains

Trademarks and internet domains are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives:

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The useful life used in the calculation of the amortisation of the trademarks and internet domains is:

Trademarks and internet domains	5 years
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Financial instruments

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL"), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI to be classified at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

WISEBITS AD NET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets - Classification (continued)

The financial assets at amortised cost are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets - Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - Impairment - credit loss allowance for ECL

The Company assesses on a forward looking basis the expected credit loss ("ECL") for debt instruments measured at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Debt instruments measured at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

WISEBITS AD NET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets - Impairment - credit loss allowance for ECL (continued)

For all other financial assets that are subject to impairment under IFRS 9, the Company applies the general approach. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 month ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. If the credit risk of the financial instrument is low at the reporting date, it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition and the expected credit losses are measured at an amount equal to the 12 month ECL.

Refer to note 5, credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - Write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial liabilities - Measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

WISEBITS AD NET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Significant accounting policies (continued)

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

5.1 Credit risk

Credit risk refers to the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- receivables from related parties
- bank balances

Receivables (trade receivables, receivables from related parties)

In determining the recoverability of receivables, the Company performs a risk analysis in accordance with the ECL method considering their credit quality, the age of the outstanding amount and any past default experience. The expected credit loss rates applied to the receivables are close to zero, which represent the historical default rates experienced by the Company, adjusted to reflect forward looking information on macroeconomic factors and industry default rates and loss rates affecting the ability of the debtors to settle the receivables. On that basis, the loss allowance as at 31 December 2020 for receivables was assessed to be minimal and no loss allowance has been recognized in the financial statements.

Bank balances

The Company's bank balances are US\$783,659 (2019: US\$2,049,190).

The Company measures its expected credit loss for its bank balances by reference to the bank's external credit ratings and relevant published default rates. On that basis, the loss allowance as at 31 December 2020 for the Company's bank balances was assessed to be minimal and no loss allowance has been recognized in the financial statements.

5.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

5.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

5.4 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

WISEBITS AD NET LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****6. Revenue**

	2020 US\$	2019 US\$
Royalty fees (Note 16.1)	52,912,402	36,766,405
Commission income	440,384	464,100
	<u>53,352,786</u>	<u>37,230,505</u>

7. Operating profit

	2020 US\$	2019 US\$
Operating profit is stated after charging the following items:		
Amortisation expense (Note 10)	7,000	7,000
Auditor's remuneration	43,278	43,258

8. Finance costs

	2020 US\$	2019 US\$
Bank charges	20,696	22,499
Finance costs	<u>20,696</u>	<u>22,499</u>

9. Income tax

	2020 US\$	2019 US\$
Corporation tax - current year	653,867	532,776
Charge for the year	<u>653,867</u>	<u>532,776</u>

The income tax on the Company's profit before income tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2020 US\$	2019 US\$
Profit before income tax	<u>5,209,806</u>	<u>3,810,830</u>
Income tax calculated at the applicable tax rates	651,226	476,354
Tax effect of expenses not deductible for income tax purposes	14,939	59,889
Tax effect of allowances and income not subject to income tax	(12,298)	(3,467)
Tax charge	<u>653,867</u>	<u>532,776</u>

The Company is subject to corporation tax on taxable profits at the rate of 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

WISEBITS AD NET LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****10. Intangible assets**

	Trademarks and internet domains US\$
Cost	
Balance at 1 January 2019	35.000
Balance at 1 January 2020	35.000
Balance at 31 December 2020	35.000
Amortisation	
Balance at 1 January 2019	21.000
Amortisation for the year	7.000
Balance at 1 January 2020	28.000
Amortisation for the year	7.000
Balance at 31 December 2020	35.000
Net book amount	
Balance at 31 December 2020	-
Balance at 31 December 2019	7.000

11. Trade and other receivables

	2020 US\$	2019 US\$
Trade receivables	81.381	23.239
Receivables from related parties (Note 16.3)	57.776.050	29.496.231
Deposits and prepayments	30.888	46.187
Refundable VAT	225.550	180.056
	58.113.869	29.745.713

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 5 of the financial statements.

12. Cash and bank balances

	2020 US\$	2019 US\$
Cash at bank	783.659	2.049.190
	783.659	2.049.190

WISEBITS AD NET LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****13. Share capital**

	2020 Number of shares	2020 US\$	2019 Number of shares	2019 US\$
Authorised				
Ordinary shares of €1 each	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>
Issued and fully paid				
Balance at 1 January	<u>1.000</u>	<u>1.073</u>	<u>1.000</u>	<u>1.073</u>
Balance at 31 December	<u>1.000</u>	<u>1.073</u>	<u>1.000</u>	<u>1.073</u>

14. Trade and other payables

	2020 US\$	2019 US\$
Trade payables	248.007	123.630
Other payables and accruals	457.624	553.298
Payables to related parties (Note 16.4)	56.916.524	30.603.558
	<u>57.622.155</u>	<u>31.280.486</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

15. Operating environment of the Company

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighbouring countries (e.g., Belarus) or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. Because of its broader impact on these macroeconomic conditions, many entities globally may need to consider the effect of the war on certain accounting and financial reporting matters. The degree to which entities are or will be affected by them largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

Political events and sanctions are continually changing and differ across the globe. The key impacts of the Russia-Ukraine war that entities need to consider are:

- Interruptions or stoppage of production in affected areas and neighbouring countries.
- Damage or loss of inventories and other assets.
- Closure of roads and facilities in affected areas.
- Supply-chain and travel disruptions in Eastern Europe.
- Volatility in commodity prices and currencies.
- Disruption in banking systems and capital markets.
- Reductions in sales and earnings of business in affected areas.
- Increased costs and expenditures.
- Cyberattacks.

WISEBITS AD NET LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****16. Related party balances and transactions**

The related party balances and transactions are as follows:

16.1 Sales of services (Note 6)

<u>Name</u>	<u>Nature of transactions</u>	2020 US\$	2019 US\$
Subsidiaries of parent company	Royalty fees	52,912,402	36,766,405
		<u>52,912,402</u>	<u>36,766,405</u>

16.2 Purchases of services

<u>Name</u>	<u>Nature of transactions</u>	2020 US\$	2019 US\$
Related party connected with the ultimate controlling party	Royalty fees	33,362,165	22,067,020
Related party connected with the ultimate controlling party	Recharge of expenses	3,485,784	3,466,961
Related party connected with the key management personnel	Management fees	7,081	3,162
Subsidiary of parent	Advertising fees	664,344	476,650
Related party connected with the ultimate controlling party	Consulting fees	1,940,121	1,094,390
		<u>39,459,495</u>	<u>27,108,183</u>

16.3 Receivables from related parties (Note 11)

<u>Name</u>	<u>Nature of transactions</u>	2020 US\$	2019 US\$
Subsidiary of parent	Trade	19,334,348	7,777,188
Related parties connected with the ultimate controlling party	Trade	31,339,406	12,666,596
Parent company	Non-Trade	6,995,642	-
Related parties connected with the ultimate controlling party	Non-trade	106,654	9,052,447
		<u>57,776,050</u>	<u>29,496,231</u>

16.4 Payables to related parties (Note 14)

<u>Name</u>	<u>Nature of transactions</u>	2020 US\$	2019 US\$
Related parties connected with the ultimate controlling party	Trade	56,910,475	27,068,526
Related party connected with the ultimate controlling party	Non-trade	6,049	160
Parent company	Non-trade	-	3,534,872
		<u>56,916,524</u>	<u>30,603,558</u>

17. Events after the reporting period

The Company is in the final process of signing an agreement to merge with related party Wisebits IP Ltd.

As mentioned in note 15, on 24 February 2022 Russia invaded Ukraine. This has resulted in an intensified geopolitical situation in Eastern Europe and sanctions are continually changing and differ across the globe. Management has considered the circumstances and the risk exposures of the Company and has concluded that there is no significant impact on the Company's profitability position. Management will continue to monitor the situation closely and will assess other risk exposures and actions required.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021.

WISEBITS AD NET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

17. Events after the reporting period (continued)

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 to 5

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WISEBITS AD NET LIMITED**DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Page	2020 US\$	2019 US\$
Revenue		53,352,786	37,230,505
Direct costs	21	(40,982,296)	(28,020,222)
Gross profit		12,370,490	9,210,283
Administration expenses	22	(7,102,211)	(5,281,487)
Selling expenses	22	(114,895)	(101,669)
Amortisation expense		(7,000)	(7,000)
Operating profit		5,146,384	3,820,127
Finance costs	23	(20,696)	(22,499)
Net foreign exchange gain		84,118	13,202
Profit before income tax		5,209,806	3,810,830

WISEBITS AD NET LIMITED**DIRECT COSTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 US\$	2019 US\$
Direct costs		
Publishers fees	664,344	476,650
Royalty fees	33,362,165	22,067,020
Hosting fees	2,935,015	2,355,900
Affiliate fees	4,020,772	3,120,652
	40,982,296	28,020,222

WISEBITS AD NET LIMITED**OPERATING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 US\$	2019 US\$
Administration expenses		
Annual levy	408	394
Telephone and postage	21.935	17.603
Subscriptions	695.042	339.679
Auditor's remuneration	43.278	43.258
Legal fees	32.004	22.236
Professional fees	507.304	89.860
Travelling	-	14.149
Entertaining	69.028	12.024
Management fees	7.081	3.162
Consulting fees	1.940.121	1.094.390
Office grocery	1.179	4.135
Recharge of expenses	3.485.784	3.466.961
Other administration expenses	299.047	173.636
	7.102.211	5.281.487

	2020 US\$	2019 US\$
Selling expenses		
Advertising and promotion	114.895	101.669
	114.895	101.669

WISEBITS AD NET LIMITED**FINANCE COSTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 US\$	2019 US\$
Finance costs		
Bank charges	<u>20,696</u>	<u>22,499</u>
	<u>20,696</u>	<u>22,499</u>

WISEBITS AD NET LIMITED**COMPUTATION OF CORPORATION TAX
FOR THE YEAR ENDED 31 DECEMBER 2020**

Profit per income statement	Page 20	US\$	US\$
<u>Add:</u>			5,209,806
Amortisation of intangible assets		7,000	
Interest imposed under the arm length principles - related parties		43,081	
Interest limitation		20,986	
Entertainment expenses		48,042	
Annual levy		<u>408</u>	
			<u>119,517</u>
			5,329,323
<u>Less:</u>			
Capital allowances		7,000	
Foreign exchange profit		84,118	
Corresponding adjustment on related party transactions		7,206	
Notional interest deduction		<u>59</u>	
			<u>(98,383)</u>
Chargeable income for the year			5,230,940
Converted into € at US\$ 1,228240 = €1			<u>€ 4,258,891</u>
Calculation of corporation tax	Income	Rate	Total
	€	%	€ c
Income tax at normal rates:			
Chargeable income as above	<u>4,258,891</u>	12,50	532,361,38
Income tax paid provisionally	<u>4,400,000</u>		<u>(550,000,00)</u>
TAX REFUNDABLE			<u>(17,638,62)</u>

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